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SENSITIVE
SIPDIS

H PLEASE PASS TO CODEL BOND

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SUBJECT: SCENSETTER FOR CODEL BOND'S VISIT TO JAKARTA

REF: STATE 129927

¶1. (U) This message is Sensitive but Unclassified. Please handle accordingly.

¶2. (SBU) SUMMARY: Senator Bond, Embassy Jakarta warmly welcomes your visit. Ten years of political and economic reform have made Indonesia democratic, stable, and increasingly confident about its leadership role in Southeast Asia and the Muslim world. Indonesia has held successful, free and fair elections; has weathered the global financial crisis; and is tackling internal security threats. These developments have created an opportunity to deepen our relationship through the United States-Indonesia Comprehensive Partnership. This emerging effort deploys "smart power" to build greater cooperation in defense, counterterrorism, health, education, trade, science and technology, and on key international issues such as Afghanistan. In a recent demonstration of this approach, we have signed agreements to bring the Peace Corps back to Indonesia and to expand our Fulbright program. We are doing more. With this as backdrop, Indonesian leaders will look to your visit as a chance to engage the United States as a true partner in support of shared bilateral, regional, and global objectives. END SUMMARY.

KEY MOMENT IN UNITED STATES-INDONESIA RELATIONS

¶3. (SBU) Your visit comes at an important time in U.S.-Indonesia relations. The GOI views the establishment of our bilateral Comprehensive Partnership as a way to deepen engagement with the United States across the board. Indonesians want to move beyond the old donor-recipient model to build a relationship between true partners. The success of Indonesia's democratization and reform process, and the country's inclusion in the G-20, have given Indonesians heightened confidence. The United States and Indonesia are deepening cooperation to achieve key aims in Asia and beyond.

¶4. (SBU) Under President Yudhoyono, Indonesia has begun to play a more prominent and effective role in regional and global affairs. The Indonesian military has taken on peacekeeping duties in Lebanon, Sudan, and the Democratic Republic of the Congo. Indonesia already provides capacity building assistance to the Afghan government in agriculture, education and health, and is considering doing more. Yudhoyono has staked out an ambitious position putting Indonesia in the front ranks on climate change. As the largest member of ASEAN and home to the ASEAN Secretariat, Jakarta seeks a greater leadership role in the regional organization. For example, Indonesian officials spearheaded efforts to enshrine democracy and human rights in the ASEAN Charter. Indonesia has played an important but largely behind-the-scenes role in encouraging democracy and human

rights in Burma.

THE COMPREHENSIVE PARTNERSHIP AS SMART POWER

15. (SBU) The emerging United States-Indonesia Comprehensive Partnership will implement the "smart power" strategy that you have long recommended for Southeast Asia, including in your recent book. President Yudhoyono proposed the Partnership during a November 2008 speech in Washington. Secretary Clinton's visit in February 2009 began a dialogue with Indonesian leaders about the key elements of that Partnership, including cooperation in education, trade and investment, development assistance, health, and science and technology. The postponement of President Obama's November visit, which Indonesians both inside and outside government highly anticipated, has slowed the pace of progress on the Partnership but has not curbed Indonesian enthusiasm.

16. (SBU) Important elements of the Comprehensive Partnership have moved forward. We recently signed an agreement to bring the Peace Corps back to Indonesia and we have signed several memoranda of understanding to expand our Fulbright program, which the Indonesian government has agreed to partly fund. Additionally, we continue to explore deepened cooperation on climate change, an Overseas Private Investment Corporation (OPIC) investment incentive agreement, and, possibly, Indonesian training of Afghan police. Under a Comprehensive Partnership, we will strengthen Indonesia's democratic institutions and capacity to promote democracy beyond its borders. In an example of the latter, Indonesia hosted the second Bali Democracy Forum on December 10-11. Under Secretary Burns led the U.S. observer delegation.

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17. (SBU) Reaching the Indonesian people directly will be critical to the Partnership's success. A key element of this will be education--Mission Jakarta's top priority. We aim to double the number of Indonesian students in the United States and do the same for American students here. We have proposed an innovative public diplomacy venue--The American Place--to be located in a busy Jakarta shopping center. The American Place will provide a space for educational outreach activities, cultural programming, and other activities of interest to Indonesians--especially young people. The American Place will be open and welcoming, not hidden behind high walls and razor wire.

18. (SBU) The Partnership will expand already robust regional security cooperation and deepen cooperation with the Indonesian military (TNI). We seek to enhance TNI's capability to provide disaster relief and participate in international peacekeeping operations. We will promote the people-to-people ties that are critical to the success of our partnership, including expanding education cooperation. In addition to our discussions with the Indonesians on their commitments to reduce emissions from deforestation, our cooperation is deepening on food security focusing on fisheries and on combating emerging diseases which regional climate change could exacerbate.

POLITICAL CHALLENGES FOR A VIBRANT DEMOCRACY

19. (SBU) The Yudhoyono administration faces some domestic political challenges. Chief among these is an ongoing scandal related to corruption cases and the rivalry between the Indonesian National Police (INP) and the Corruption Eradication Commission (KPK). The arrest of two KPK officials, on what some say were trumped-up charges of extortion and abuse of power, led to widespread public and parliamentary outcry. The fact-finding team that Yudhoyono formed in response in turn demanded strong Presidential action to resolve the case. While authorities have freed the two KPK officials, many Indonesians feel that Yudhoyono's failure to take swift and decisive action in the matter exacerbated the crisis.

¶10. (SBU) Public outcry over rumors of the possible receipt by the President's party, campaign donors or family of funds used to save a small Indonesian bank have also rocked the administration. Both opposition and coalition parties supported a formal Parliamentary inquiry into the bank bailout. Administration critics have targeted Vice President Boediono, who was Central Bank Governor at the time of the bailout, and Finance Minister Sri Mulyani Indrawati, for their roles in deciding to save the bank. Boediono and Indrawati, both highly respected technocrats, enjoy strong support from both investors and members of the business community who favor continued economic and bureaucratic reform.

¶11. (SBU) On November 23, President Yudhoyono delivered a public message on both issues that some Indonesians criticized as showing a lack of leadership. The twin problems have taken public confidence in Yudhoyono to a low ebb. There is no immediate danger to Yudhoyono's presidency. But should the investigation into the bank bailout reveal corruption involving Yudhoyono or his family, his presidency could be imperiled. (Note: there has been no evidence to date of Yudhoyono or his family's involvement in corruption in this case.) In the interim, these controversies have undermined the President's ambitious 100-day plan to launch his second term.

¶12. (SBU) Despite these scandals, the foundation of Indonesian democracy remains strong. The April 9 legislative and July 8 presidential elections were fair, free, and peaceful. The results of the legislative and presidential elections affirmed President Yudhoyono's reformist policies. In April, President Yudhoyono's Partai Demokrat (PD) won a plurality in legislative elections, with 20.85 percent of the popular vote (and over a quarter of the 560 parliamentary seats). This was followed by Yudhoyono's impressive reelection in July, in which he captured 60.8 percent of the vote and 28 of the nation's 33 provinces. The cabinet for the second Yudhoyono administration, which came into office in late October, contains a number of technocrats and a larger number of political leaders.

A RESILIENT ECONOMY; PARTNERSHIP NEEDS WORK

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¶13. (SBU) With 2009 GDP growth estimated at 4.3-4.4 percent, Indonesia was the third-fastest growing economy in the G-20. Indonesians are proud of their transition over little more than a decade from an economic basket case during the Asian financial crisis to the only Southeast Asian member of the G-20, involved in coordinating global responses to the current economic crisis. Although some of Indonesia's responses to the economic crisis have been protectionist, new opportunities for U.S. businesses are emerging. Boeing has a huge orders booked with several Indonesian airlines. General Electric and Electro-Motive are competing for a several hundred million dollar locomotive deal. The Export-Import Bank seeks to establish infrastructure and clean energy facilities to finance U.S. business deals and looking for ways to decrease the costs for lending in Indonesia.

¶14. (SBU) Despite these promising signs, trade and investment is the weakest area of the Comprehensive Partnership. Indonesian officials say they want increased U.S. commercial links, but the overall direction of recent policymaking--from nontariff barriers to investment restrictions to bureaucratic interference--signal a strong bias towards domestic business interests. Many companies with investments in Indonesia claim that recent policy shifts have already negatively affected their business plans. The conclusion of a new OPIC investment incentive agreement would attract more U.S. investment to Indonesia.

¶15. (SBU) Like many countries, Indonesia has a significant

number of agricultural trade barriers. However, Indonesia recognizes that increased food production and distribution is a key part of its food security goals. Companies like Monsanto seek to enter the market with biotech crops that will improve Indonesia's agricultural output and help develop the internal distribution networks. We are working with Monsanto and other companies to spread the word about the positive impact that U.S. technology can have on Indonesia's food security goals.

MILITARY-TO-MILITARY COOPERATION GROWS

¶16. (SBU) Security cooperation programs have expanded greatly since the United States ended sanctions in response to Indonesia's democratization. IMET remains a key tool in supporting defense reform by providing professional military education opportunities. Indonesia's IMET allocation will increase from \$1.5 million in 2009 to \$1.8 million in 2010. With foreign military sales to Indonesia we aim to improve airlift capability and aviation safety. Indonesia will likely receive \$20 million in foreign military grant aid for 2010, up from \$15.1 million for 2009. U.S. Pacific Command coordinates Indonesian military participation in Global Peace Operations Initiative-funded training programs and plans to contribute \$5.5 million in funding to support the GOI's desire to develop a permanent peacekeeping training center facility.

¶17. (SBU) The last hurdle to fully normalized military relations is resumption of cooperation with Army Special Forces (KOPASSUS). KOPASSUS is Indonesia's most capable fighting force and plays a key role in counterterrorism, peacekeeping and other critical missions. However, working with KOPASSUS remains controversial, including with some Members of Congress, because of KOPASSUS' involvement in past human rights violations, chiefly in Aceh and East Timor. We are working to find a way forward that is consistent with the requirements of the Leahy Amendment. Indonesian officials, including President Yudhoyono, continue to regard the prohibition on U.S. training for KOPASSUS as a major irritant to mil-to-mil relations.

OVERCOMING SECURITY THREATS

¶18. (SBU) While we work with Indonesia to address the underlying causes of violent extremism, we also work together to put terrorist groups out of operation. The GOI's response to the July 17 terrorist attacks in Jakarta was swift and effective. While the GOI is still pursuing a few remaining associates of militant ringleader Noordin Top, the killing of eight July 17 operatives, including Top, and the arrest of 11 others appears to have severely crippled Top's network. The GOI has heightened security nationwide and the INP continues to combat terrorism. Until the July 17 bombings, Indonesia experienced three-and-a-half years without a major terrorist incident, demonstrating how the GOI's counterterrorism efforts reduced the ability of militant groups to carry out attacks.

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¶19. (SBU) While the Indonesian effort has been impressive, USG assistance has been a component of the GOI's success in locating and coordinating counterterrorism strikes in the wake of the post-July 17 bombings. The Embassy has worked to build the investigative support for and forensic capabilities of the INP through numerous developmental programs administered by the Department of Justice's International Criminal Investigative Training and Assistance Program. The Indonesian National Police, including elements that receive USG assistance, have effectively disrupted the Jemaah Islamiyah (JI) terrorist network. The USG-funded Attorney General's Task Force on Terrorism and Transnational Crime has successfully prosecuted 64 terrorists, including 43 JI members since 2006, and DOJ enhanced the prosecutorial capacity of the task force. The United States holds one

Indonesian national, Riduan bin Isomuddin (aka Hambali) at the Guantanamo Bay detention facility. We expect that he will be tried in U.S. District Court.

WE ARE MAKING PROGRESS

¶20. (SBU) USG efforts to engage Indonesia are paying off. A December 2009 Department of State poll conducted in ten cities showed that eight-in-ten Indonesians had a favorable opinion of the United States--up from a bare majority in April. Large majorities of the Indonesian public believe that the United States is a positive force in the world because of the USG's efforts in disaster relief, development, democracy promotion, and protection of women's rights. Most dramatically, those who participated in Mission activities, including exchange programs and educational and cultural outreach, were far more favorably disposed to the United States than those who had not.

HUME